PERFORMANCE AUDIT

OF THE

IMPACT OF TAX INCREMENT FINANCING AND TAX ABATEMENTS ON MICHIGAN COMMUNITY COLLEGES

July 2001

32-616-99

EXECUTIVE DIGEST

IMPACT OF TAX INCREMENT FINANCING AND TAX ABATEMENTS ON MICHIGAN COMMUNITY COLLEGES

INTRODUCTION

This report, issued in July 2001, contains the results of our performance audit* of the Impact of Tax Increment Financing and Tax Abatements on Michigan Community Colleges as reported by the Office of Revenue and Tax Analysis (ORTA), Department of Treasury.

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*. Also, this performance audit was conducted in accordance with Section 216, Act 295, P.A. 1998, and Section 211a, Act 109, P.A. 1999 (community college appropriations acts).

BACKGROUND

Section 211, Act 295, P.A. 1998, and Section 211, Act 109, P.A. 1999, required the Department of Treasury to annually collect and compile data on the tax revenue losses of community colleges resulting from tax increment financing authorities* (TIFAs) and tax abatements* and to submit this data to the Department of Education not later than November 1 for the previous fiscal year. This legislation also required the Department of Treasury to

* *See glossary at end of report for definition.*

report to the Legislature no later than February 1, 1999 and January 7, 2000. This report was to include confirmed revenue losses of each community college for each of the previous 3 years and projected revenue losses for the next 3 years. Furthermore, the legislation stated that it was the intent of the Legislature to fully reimburse community colleges for tax revenue losses resulting from TIFAs and tax abatements.

Statutes authorize TIFAs to "capture" the property tax revenue associated with the increases of the State equalized valuation* within a TIFA's boundary. Captured revenue is to be used to promote economic development. In its report dated February 17, 2000, ORTA estimated that TIFAs captured community college tax revenue totaling approximately $3.9 million, $4.7 million, $5.6 million, $6.4 million, $7.8 million, $8.2 million, and $8.7 million for calendar years 1994 through 2000, respectively (Exhibit 1).

Tax abatements are used as an incentive to owners of both real and personal property to promote economic development. Pursuant to Act 198, P.A. 1974; Act 255, P.A. 1978; and Act 385, P.A. 1984, a local governmental unit may grant property tax abatements that reduce the taxes levied on certain property for up to 12 years. The recipient of a tax abatement pays specific taxes in lieu of property taxes. In its report dated February 17, 2000, ORTA estimated that tax abatements reduced community college tax revenue by approximately $6.6 million, $6.7 million, $6.3 million, $7.0 million, $7.4 million, $7.9 million, and $8.4 million for calendar years 1994 through 2000, respectively (Exhibit 2).

* *See glossary at end of report for definition.*

Although TIFAs and tax abatements directly reduce community college tax revenue, economic development resulting from a TIFA or tax abatement may indirectly increase a college's tax revenue. To the extent that a TIFA or tax abatement increases economic development beyond what would have been developed without the TIFA or tax abatement, tax revenue associated with this increase would reduce or eliminate the impact of the direct tax revenue reduction.

AUDIT OBJECTIVE AND CONCLUSION

Audit Objective: To determine the accuracy of the Department of Treasury's reported tax revenue losses of community colleges resulting from TIFAs and tax abatements.

Conclusion: We concluded that the Department of Treasury's reported tax revenue losses of individual community colleges for calendar year 1998 and before were generally accurate for tax abatements but were sometimes inaccurate for TIFAs. For both tax abatements and TIFAs, the Department of Treasury's reported tax revenue losses for calendar year 1999 and later were not accurate. Our assessment of the Department of Treasury's methodology for reporting tax revenue losses disclosed reportable conditions* relating to estimation methodology, TIFA reporting requirements, and excess revenue distributions and pass-through funding (Findings 1 through 3).

AUDIT SCOPE AND METHODOLOGY

Our audit scope was to examine the program and other records of the Department of Treasury and selected local governmental units. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such

* *See glossary at end of report for definition.*

other auditing procedures as we considered necessary in the circumstances.

Our audit procedures included examination of records and activities for the period January 1, 1994 through September 30, 2000.

To accomplish our objective, we reviewed State statutes and Department of Treasury reports entitled "Impact of Tax Abatements and Tax Increment Financing on Michigan Community Colleges," dated June 2, 1998; June 11, 1999; and February 17, 2000. Also, we obtained an understanding of the Department of Treasury's methodology used to determine reported community college tax revenue losses and recalculated the dollar amounts reported, on a test basis, for calendar years 1997 and 1998 and for all community colleges for calendar years 1999 and 2000. In addition, on a test basis, we reviewed supporting documentation and discussed TIFA and tax abatement reporting requirements and processes with representatives of 10 local governmental units, including on-site visits to 4 units.

SUBSEQUENT EVENT

On July 6, 2000, the Governor vetoed Section 219, Act 272, P.A. 2000 (a section of the community college appropriations act for fiscal year 2000-01), which had continued the requirement for the Department of Treasury to collect and compile tax revenue loss data. Also, Section 219 provided for a $50,000 allocation to reimburse community colleges for their TIFA and tax abatement data collection efforts. Previously, the Legislature had not appropriated any funds to reimburse community colleges for reported tax revenue losses or data collection efforts.

Because the Department of Treasury is no longer required to collect and compile data and report annually to the

Legislature, the recommendations in this audit report are no longer applicable. However, we have presented our original findings and recommendations and agency responses to provide a report that is complete, accurate, and objective in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

AGENCY RESPONSES

Our audit report includes 3 findings and recommendations. The Department of Treasury's preliminary response indicated that it agreed with the recommendations.

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July 9, 2001

Dr. Barbara Bolin, Director
Michigan Department of Career Development
Victor Center
Lansing, Michigan
and
Dr. Douglas B. Roberts
State Treasurer
Treasury Building
Lansing, Michigan

Dear Dr. Bolin and Dr. Roberts:

This is our report on the performance audit of the Impact of Tax Increment Financing and Tax Abatements on Michigan Community Colleges as reported by the Office of Revenue and Tax Analysis, Department of Treasury.

This report contains our executive digest; description of agency; audit objective, audit scope, subsequent event, audit methodology, and agency responses; comment, findings, recommendations, and agency preliminary responses; three exhibits, presented as supplemental information; and a glossary of acronyms and terms.

The agency preliminary responses were taken from the Department of Treasury's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

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GLOSSARY

Description of Agency

The Michigan Department of Career Development (MDCD) was created by Executive Order No. 1999-1, which became effective April 5, 1999. This Executive Order also transferred various economic development programs and functions from the Michigan Jobs Commission to the Michigan Strategic Fund and transferred the remaining authority, powers, duties, functions, responsibilities, and personnel of the Michigan Jobs Commission to MDCD. Effective January 1, 2000, Executive Order No. 1999-12 transferred the responsibility for the administration of postsecondary services from the Department of Education to MDCD.

The Department of Treasury was created by the Executive Organization Act of 1965 (Section 16.175 of the *Michigan Compiled Laws*) and is one of the principal departments of State government.

Article V, Section 3 of the State Constitution provides for a State Treasurer. The Governor appoints the State Treasurer with the advice and consent of the Senate. Under the direction of the State Treasurer, the Department of Treasury is responsible for collecting, investing, and disbursing State funds. The Department of Treasury administers the major tax laws, administers the audits of county and municipal financial records, cares for abandoned property through escheat, and safeguards the credit of the State and its local governments.

Section 211, Act 295, P.A. 1998, and Section 211, Act 109, P.A. 1999, required the Department of Treasury to annually collect and compile data on the tax revenue losses of community colleges resulting from tax increment financing authorities (TIFAs) and tax abatements and to submit this data to the Department of Education not later than November 1 for the previous fiscal year. This legislation also required the Department of Treasury to report to the Legislature no later than February 1, 1999 and January 7, 2000. This report was to include confirmed revenue losses of each community college for each of the previous 3 years and projected revenue losses for the next 3 years. Furthermore, the legislation stated that it was the intent of the Legislature to fully reimburse community colleges for tax revenue losses resulting from TIFAs and tax abatements.

Statutes authorize TIFAs to "capture" the property tax revenue associated with the increases of the State equalized valuation within a TIFA's boundary. Captured revenue is to be used to promote economic development. In its report dated February 17, 2000, the Office of Revenue and Tax Analysis, Department of Treasury, estimated that TIFAs captured community college tax revenue totaling approximately $3.9 million, $4.7 million, $5.6 million, $6.4 million, $7.8 million, $8.2 million, and $8.7 million for calendar years 1994 through 2000, respectively (Exhibit 1).

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Audit Objective, Audit Scope, Subsequent Event, Audit Methodology, and Agency Responses

Audit Objective

The objective for our performance audit of the Impact of Tax Increment Financing and Tax Abatements on Michigan Community Colleges was to determine the accuracy of the Department of Treasury's reported tax revenue losses of community colleges resulting from tax increment financing authorities (TIFAs) and tax abatements.

Audit Scope

Our audit scope was to examine the program and other records of the Department of Treasury and selected local governmental units. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Subsequent Event

On July 6, 2000, the Governor vetoed Section 219, Act 272, P.A. 2000 (a section of the community college appropriations act for fiscal year 2000-01), which had continued the requirement for the Department of Treasury to collect and compile tax revenue loss data. Also, Section 219 provided for a $50,000 allocation to reimburse community colleges for their TIFA and tax abatement data collection efforts. Previously, the Legislature had not appropriated any funds to reimburse community colleges for reported tax revenue losses or data collection efforts.

Because the Department of Treasury is no longer required to collect and compile data and report annually to the Legislature, the recommendations in this audit report are no longer applicable. However, we have presented our original findings and recommendations and agency responses to provide a report that is complete, accurate, and objective in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Audit Methodology

Our audit procedures, performed from April through September 2000, included examination of the Department of Treasury's and selected local governmental units' records and activities for the period January 1, 1994 through September 30, 2000.

To accomplish our objective, we reviewed State statutes and Department of Treasury reports entitled "Impact of Tax Abatements and Tax Increment Financing on Michigan Community Colleges," dated June 2, 1998; June 11, 1999; and February 17, 2000. Also, we obtained an understanding of the Department's methodology used to determine reported community college tax revenue losses and recalculated the dollar amounts reported, on a test basis, for calendar years 1997 and 1998 and for all community colleges for calendar years 1999 and 2000. In addition, on a test basis, we reviewed supporting documentation and discussed TIFA and tax abatement reporting requirements and processes with representatives of 10 local governmental units, including on-site visits to 4 units.

Agency Responses

Our audit report includes 3 findings and recommendations. The Department of Treasury's preliminary response indicated that it agreed with the recommendations.

The agency preliminary response which follows each recommendation in our report was taken from the Department of Treasury's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require the Department of Treasury to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

COMMENT, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

ACCURACY OF REPORTED TAX REVENUE LOSSES

COMMENT

Audit Objective: To determine the accuracy of the Department of Treasury's reported tax revenue losses of community colleges resulting from tax increment financing authorities (TIFAs) and tax abatements.

Conclusion: We concluded that the Department of Treasury's reported tax revenue losses of individual community colleges for calendar year 1998 and before were generally accurate for tax abatements but were sometimes inaccurate for TIFAs. For both tax abatements and TIFAs, the Department of Treasury's reported tax revenue losses for calendar year 1999 and later were not accurate. Our assessment of the Department of Treasury's methodology for reporting tax revenue losses disclosed reportable conditions relating to estimation methodology, TIFA reporting requirements, and excess revenue distributions and pass-through funding.

FINDING

1. **Estimation Methodology**

The Office of Revenue and Tax Analysis' (ORTA's) methodology for estimating tax revenue losses of each community college based on a Statewide average for the calendar years after 1998 may have resulted in inaccurate estimates.

To determine community college TIFA tax revenue loss data for calendar years 1994 through 1998, ORTA surveyed all 281 and 283 TIFAs in January 1998 and February 1999, respectively, that operated within community college districts. If a TIFA did not respond, ORTA estimated the tax revenue losses by obtaining and reviewing other TIFA information, if available, from form 2604*, TIFA tax revenue losses reported by county treasurers to the Department of Education (form DS-4410), and documentation from certain county treasurers. To determine

* *See glossary at end of report for definition.*

community college tax abatement revenue loss data for calendar years 1994 through 1998, ORTA used the value of tax-abated property reported by county equalization directions to the State Assessors Board.

To estimate TIFA and tax abatement tax revenue losses for calendar years 1999 and 2000, ORTA increased the prior calendar year estimates by 6% for all community colleges (Exhibit 3). ORTA's estimated increase was based on the 6% Statewide increase in the taxable value on the ad valorem property tax* rolls between calendar years 1998 and 1999. ORTA adopted this estimation methodology as a cost saving alternative to the methodology used to determine community college TIFA tax revenue loss data for calendar years 1994 through 1998.

Our review of ORTA's tax revenue loss data for calendar years 1994 through 1998 disclosed substantial volatility from year to year for the colleges individually and among the colleges. The expiration of old tax abatements, the issuance of new tax abatements, and changes within TIFAs resulted in annual fluctuations from negative 47.1% to positive 110.3% (Exhibit 3). As a result, ORTA's use of an average Statewide estimation methodology may have resulted in tax revenue loss estimates that were either overstated or understated for individual community colleges. On average, ORTA's reported annual increases for calendar years 1995, 1996, 1997, and 1998 were 9.1%, 3.9%, 12.2%, and 13.5%, respectively (Exhibit 3).

RECOMMENDATION

If the Department of Treasury is required to collect and compile data on tax revenue losses of community colleges resulting from TIFAs and tax abatements, we recommend that ORTA develop a methodology to accurately determine losses of individual community colleges.

* *See glossary at end of report for definition.*

AGENCY PRELIMINARY RESPONSE

For years prior to 1999 (1994 through 1998), ORTA employed the following methodology:

Tax increment financing estimated revenue losses: ORTA sent reports to all tax increment financing plans within a community college district (283 plans in calendar year 1998).

Follow-up requests were mailed to nonrespondent tax increment financing plans and telephone calls were made as a third attempt to obtain information from tax increment financing plans.

If a tax increment financing plan did not respond, proxy estimates were made, when possible, using data from several alternative sources. These sources included State Tax Commission form 2604 and annual report data, Department of Education form DS-4410 data, and county treasurer data.

Tax abatement estimated revenue losses: ORTA compiled State Assessors Board tax abatement value data, combined with State Tax Commission millage rate data. In a few cases, State Assessors Board data was supplemented with county treasurer data.

As a cost saving alternative to the methodology used from 1994 through 1998, ORTA grew both its calendar year 1998 tax increment financing and calendar year 1998 tax abatement revenue loss estimates by the Statewide ad valorem taxable value growth between calendar year 1998 and calendar year 1999 (6.0%) for each year.

The Department of Treasury agreed with the Office of the Auditor General's recommendation, but believes that it is only cost effective to use the more accurate methodology if the Legislature actually appropriates the funds to reimburse community colleges for the tax revenue losses and provides funding to administer the reimbursement.

FINDING

2. TIFA Reporting Requirements

The Department of Treasury should enhance TIFA financial reporting requirements to promote the accurate and efficient determination of tax revenue losses of community colleges.

Sections 125.1665(3), 125.1814(3), and 125.2163(3) of *the Michigan Compiled Laws* state that TIFAs shall submit annually to the State Tax Commission a financial report on the status of the tax increment financing plan*. Additionally Sections 125.1681, 125.1830, and 125.2171 of the *Michigan Compiled Laws* authorize the State Tax Commission to institute proceedings to compel enforcement of the public acts establishing and regulating TIFAs.

The Commission requires TIFAs to file their annual financial reports within 90 days of the end of their fiscal years. Since February 1997, the Commission has requested that TIFAs report their revenue by millage source, e.g., a community college, in a recommended format. However, the Department of Treasury did not consider TIFA revenue captured from community colleges to be critical and, therefore, did not summarize the detail information for analysis. Also, the Commission did not monitor the annual reports to ensure that all reports were submitted. In addition, the Commission requires all TIFAs to annually complete form 2604 or form 2967* to help determine if adjustments are needed to prior year(s) State School Aid Fund payments made to school districts that were based on captured assessments initially reported to the Department of Education.

Our review of ORTA's surveys, form 2604, form 2967, form DS-4410, and documentation from certain county treasurers disclosed that, although ORTA's data was sometimes not consistent or complete for the community colleges selected for review, except for excess revenue distributions (Finding 3), the dollar amounts reported were reasonably complete and accurate. Although necessary based on the lack of available TIFA financial data, ORTA's surveys and reviews of other TIFA information required substantial staff effort to identify, solicit, obtain, and compile the information needed to report tax revenue losses.

* *See glossary at end of report for definition.*

RECOMMENDATION

If the Department of Treasury is required to collect and compile data on tax revenue losses of community colleges resulting from TIFAs, we recommend that the Department of Treasury enhance TIFA financial reporting requirements to promote the accurate and efficient determination of tax revenue losses of community colleges.

AGENCY PRELIMINARY RESPONSE

The Department of Treasury agreed with the recommendation but believes that it is only cost effective to enhance TIFA financial reporting requirements if the Legislature actually appropriates the funds to reimburse community colleges for the tax revenue losses and provides funding to compel enforcement of public acts establishing and regulating TIFAs, when necessary, and to administer the reimbursement.

FINDING

3. Excess Revenue Distributions and Pass-Through Funding

The Department of Treasury should develop procedures to obtain and use information regarding excess TIFA revenue distributions and pass-through funding when determining community college tax revenue losses.

Sections 125.1665(2), 125.1814(2), and 125.2163(2) of *the Michigan Compiled Laws* stipulate that any excess TIFA revenues shall revert proportionately to the respective taxing jurisdictions. TIFAs sometimes accumulate excess revenue when actual collections exceed budgeted amounts or when the scope of planned projects are revised. Also, Sections 125.1664(4), 125.1813(3), and 125.2162(6) of the *Michigan Compiled Laws* allow TIFAs to pass through or share a portion of their revenue with taxing authorities participating in their tax increment financing plan. However, neither ORTA in its TIFA surveys nor the State Tax Commission have requested and obtained information from TIFAs regarding excess revenue distributions to community colleges and the Commission did not compile pass-through funding information, if it was reported. Also, several local government officials stated that they were not aware of any State requirement or requests to report the distribution of excess TIFA revenue.

To obtain information on excess revenue distributions and pass-through funding, we contacted several TIFAs based on the responses we received from an informal survey of community colleges. Our follow-up disclosed:

a. Seven TIFAs within the boundaries of 3 community colleges made excess revenue distributions to the community colleges. None of the TIFAs reported these distributions to ORTA. As a result, ORTA's total reported tax revenue losses for these colleges were overstated by at least $381,000 in total for calendar years 2000, 1999, and 1998.

b. Two TIFAs passed through funds to a college and properly reported the captured tax revenue net of pass-throughs to ORTA. However, because ORTA's instructions did not address the existence and reporting of actual shared revenue, amounts reported by TIFAs with pass-through agreements may overstate tax revenue losses of the community colleges.

RECOMMENDATION

If the Department of Treasury is required to collect and compile data on tax revenue losses of community colleges resulting from TIFAs, we recommend that the Department of Treasury develop procedures to obtain and use information regarding excess TIFA revenue distributions and pass-through funding.

AGENCY PRELIMINARY RESPONSE

The Department of Treasury agreed with the recommendation but believes that it is only cost effective to collect the additional information if the Legislature actually appropriates funds to reimburse community colleges for tax revenue losses and provides funding to administer the reimbursement. To comply with this recommendation, the Department of Treasury stated that one half of a full-time equated position would be needed to compile and analyze the additional information.

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SUPPLEMENTAL INFORMATION

IMPACT OF TAX INCREMENT FINANCING AND TAX ABATEMENTS
ON MICHIGAN COMMUNITY COLLEGES
Estimated Annual TIFA Tax Revenue Losses of Michigan Community Colleges*
Calendar Years 1994 through 2000

Community College	1994	1995	1996	1997
Alpena	$ 1,950	$ 2,837	$ 2,060	$ 2,329
Bay de Noc	10,626	17,528	22,558	27,265
Delta	250,531	231,904	258,629	324,779
Glen Oaks	8,618	25,507	27,266	25,910
Gogebic	1,325	2,476	1,436	4,421
Grand Rapids	345,594	330,840	358,554	413,608
Henry Ford	0	7,124	11,003	11,003
Jackson	57,465	56,500	61,216	71,943
Kalamazoo Valley	117,878	126,890	128,776	117,389
Kellogg	183,004	183,701	240,228	225,008
Kirtland	10,963	13,933	16,956	18,886
Lake Michigan	30,871	14,800	15,455	18,960
Lansing	294,819	322,335	400,012	471,440
Macomb	74,842	66,200	95,231	119,847
Mid Michigan	5,996	5,856	6,315	8,660
Monroe	15,179	23,370	21,947	25,215
Montcalm	36,757	46,628	97,671	83,513
Mott	224,572	299,164	322,693	360,406
Muskegon	111,647	116,703	110,393	145,268
North Central	8,392	9,442	10,666	24,705
Northwestern	5,437	6,067	6,356	7,225
Oakland	412,175	898,524	1,071,104	1,303,295
St. Clair	172,167	162,958	193,441	219,143
Schoolcraft	43,610	108,409	177,192	202,347
Southwestern	14,383	14,410	13,157	15,266
Washtenaw	416,795	503,549	528,582	647,957
Wayne	1,020,468	1,119,029	1,393,144	1,458,974
West Shore	25,672	25,058	35,026	33,019
Total	$ 3,901,737	$ 4,741,743	$ 5,627,067	$ 6,387,781

* Estimates reported by the Department of Treasury as of February 17, 2000.

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Exhibit 1

1998	1999	2000	Total
$ 2,531	$ 2,683	$ 2,844	$ 17,234
28,936	30,672	32,512	170,097
384,571	407,645	432,104	2,290,163
20,490	21,719	23,023	152,533
3,995	4,235	4,489	22,377
511,740	542,444	574,991	3,077,771
10,753	11,398	12,082	63,363
74,237	78,691	83,413	483,465
118,379	125,482	133,011	867,805
280,145	296,954	314,771	1,723,811
23,018	24,399	25,863	134,018
27,276	28,913	30,647	166,922
625,735	663,280	703,076	3,480,697
122,107	129,433	137,199	744,859
8,382	8,885	9,418	53,512
38,330	40,630	43,068	207,739
99,648	105,627	111,964	581,808
413,659	438,479	464,787	2,523,760
203,234	215,428	228,354	1,131,027
25,612	27,149	28,778	134,744
18,490	19,599	20,775	83,949
1,630,376	1,728,198	1,831,890	8,875,562
200,214	212,227	224,960	1,385,110
295,140	312,848	331,619	1,471,165
16,764	17,770	18,836	110,586
934,666	990,746	1,050,191	5,072,486
1,595,283	1,691,000	1,792,460	10,070,358
47,288	50,125	53,133	269,321
$ 7,760,998	$ 8,226,658	$ 8,720,257	$ 45,366,242

IMPACT OF TAX INCREMENT FINANCING AND TAX ABATEMENTS
ON MICHIGAN COMMUNITY COLLEGES

Estimated Annual Tax Abatement Tax Revenue Losses of Michigan Community Colleges*
Calendar Year 1994 through 2000

Community College	1994	1995	1996	1997
Alpena	$ 40,498	$ 44,095	$ 46,276	$ 46,763
Bay de Noc	91,946	41,436	42,410	50,873
Delta	438,637	386,184	407,221	515,033
Glen Oaks	87,713	172,190	128,403	142,193
Gogebic	2,651	2,165	2,165	3,152
Grand Rapids	944,995	951,367	527,738	544,855
Henry Ford	281,406	258,900	278,147	311,458
Jackson	75,099	71,384	74,405	84,911
Kalamazoo Valley	390,509	397,191	353,535	323,935
Kellogg	476,727	501,482	477,481	511,318
Kirtland	34,295	9,999	11,522	10,765
Lake Michigan	81,826	84,691	89,931	98,400
Lansing	266,574	266,527	259,290	243,699
Macomb	635,810	626,495	667,094	712,489
Mid Michigan	4,128	4,847	4,345	2,694
Monroe	147,505	135,822	149,114	177,377
Montcalm	38,855	34,225	57,995	50,535
Mott	291,793	261,795	251,425	248,700
Muskegon	124,839	124,594	146,874	149,967
North Central	2,457	3,625	3,502	4,675
Northwestern	10,462	16,131	14,375	23,836
Oakland	371,650	622,269	644,887	724,938
St. Clair	73,314	72,864	96,877	93,949
Schoolcraft	343,656	344,519	353,851	384,117
Southwestern	18,528	16,260	23,279	28,372
Washtenaw	557,306	560,711	554,059	704,863
Wayne	770,362	698,481	594,631	676,647
West Shore	15,394	29,005	45,082	131,273
Total	$ 6,618,935	$ 6,739,254	$ 6,305,914	$ 7,001,787

* Estimates reported by the Department of Treasury as of February 17, 2000.

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Exhibit 2

1998	1999	2000	Total
$ 46,901	$ 49,715	$ 52,698	$ 326,946
53,237	56,431	59,817	396,150
568,155	602,244	638,379	3,555,853
140,696	149,137	158,086	978,418
3,152	3,341	3,542	20,168
536,741	568,945	603,082	4,677,723
358,466	379,974	402,772	2,271,123
87,944	93,221	98,814	585,778
325,180	344,691	365,373	2,500,414
721,889	765,202	811,115	4,265,214
6,702	7,105	7,531	87,919
101,033	107,095	113,521	676,497
253,170	268,361	284,462	1,842,083
712,334	755,074	800,379	4,909,675
4,662	4,942	5,238	30,856
222,715	236,077	250,242	1,318,852
49,353	52,314	55,453	338,730
209,760	222,345	235,686	1,721,504
181,931	192,847	204,418	1,125,470
3,090	3,276	3,472	24,097
22,570	23,924	25,360	136,658
667,226	707,260	749,695	4,487,925
89,043	94,385	100,048	620,480
372,909	395,283	419,000	2,613,335
28,427	30,132	31,940	176,938
706,657	749,057	794,000	4,626,653
820,317	869,536	921,708	5,351,682
142,949	151,526	160,618	675,847
$ 7,437,210	$ 7,883,443	$ 8,356,449	$ 50,342,988

IMPACT OF TAX INCREMENT FINANCING AND TAX ABATEMENTS ON MICHIGAN COMMUNITY COLLEGES

Annual Percentage Change* of Reported TIFA and Tax Abatement
Tax Revenue Losses of Michigan Community Colleges
Calendar Year 1994 Through 2000

Community College	1994 to 1995	1995 to 1996	1996 to 1997	1997 to 1998	1998 to 1999	1999 to 2000
Alpena	10.6%	3.0%	1.6%	0.7%	6.0%	6.0%
Bay de Noc	(42.5)%	10.2%	20.3%	5.2%	6.0%	6.0%
Delta	(10.3)%	7.7%	26.1%	13.4%	6.0%	6.0%
Glen Oaks	105.2%	(21.3)%	8.0%	(4.1)%	6.0%	6.0%
Gogebic	16.7%	(22.4)%	110.3%	(5.6)%	6.0%	6.0%
Grand Rapids	(0.6)%	(30.9)%	8.1%	9.4%	6.0%	6.0%
Henry Ford	(5.5)%	8.7%	11.5%	14.5%	6.0%	6.0%
Jackson	(3.5)%	6.1%	15.7%	3.4%	6.0%	6.0%
Kalamazoo Valley	3.1%	(8.0)%	(8.5)%	0.5%	6.0%	6.0%
Kellogg	3.9%	4.7%	2.6%	36.1%	6.0%	6.0%
Kirtland	(47.1)%	19.0%	4.1%	0.2%	6.0%	6.0%
Lake Michigan	(11.7)%	5.9%	11.4%	9.3%	6.0%	6.0%
Lansing	4.9%	12.0%	8.5%	22.9%	6.0%	6.0%
Macomb	(2.5)%	10.1%	9.2%	0.3%	6.0%	6.0%
Mid Michigan	5.7%	(0.4)%	6.5%	14.9%	6.0%	6.0%
Monroe	(2.1)%	7.5%	18.4%	28.9%	6.0%	6.0%
Montcalm	6.9%	92.5%	(13.9)%	11.2%	6.0%	6.0%
Mott	8.6%	2.3%	6.1%	2.3%	6.0%	6.0%
Muskegon	2.0%	6.6%	14.8%	30.5%	6.0%	6.0%
North Central	20.4%	8.4%	107.4%	(2.3)%	6.0%	6.0%
Northwestern	39.6%	(6.6)%	49.8%	32.2%	6.0%	6.0%
Oakland	94.0%	12.8%	18.2%	13.3%	6.0%	6.0%
St. Clair	(3.9)%	23.1%	7.8%	(7.6)%	6.0%	6.0%
Schoolcraft	17.0%	17.2%	10.4%	13.9%	6.0%	6.0%
Southwestern	(6.8)%	18.8%	19.8%	3.6%	6.0%	6.0%
Washtenaw	9.3%	1.7%	25.0%	21.3%	6.0%	6.0%
Wayne	1.5%	9.4%	7.4%	13.1%	6.0%	6.0%
West Shore	31.6%	48.2%	105.1%	15.8%	6.0%	6.0%
Average Change	9.1%	3.9%	12.2%	13.5%	6.0%	6.0%

* Annual changes based on revenue losses reported by the Department of Treasury as of February 17, 2000.

Glossary of Acronyms and Terms

ad valorem property tax	A tax imposed on both real and tangible personal property that is based on a percentage rate of the property's true cash value.
effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical for the amount of resources applied or minimizing the amount of resources required to attain a certain level of outputs or outcomes.
form 2604	The Department of Treasury tax increment financing plan report on the capture of property taxes and State reimbursement amounts.
form 2967	The Department of Treasury tax increment financing authority report on the capture of property taxes and State reimbursement amounts for plans that capture taxes from two or more school districts.
MDCD	Michigan Department of Career Development.
ORTA	Office of Revenue and Tax Analysis, Department of Treasury.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.

reportable condition

A matter coming to the auditor's attention that, in the auditor's judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.

State equalized valuation

The annual assessed valuation, at 50% of the true cash value, of real and personal property subject to taxation. Valuations are determined by local assessors and subsequently reviewed and approved by county boards of commissioners and the State Tax Commission.

tax abatement

A reduction for up to 12 years of the real and/or personal property taxes levied on certain property. Local governmental units use tax abatements as an incentive to property owners, thereby promoting economic development.

tax increment financing authority (TIFA)

An authority created and governed by a local unit of government to promote economic development through specific means. For purposes of this report, the term "TIFA" includes downtown development authorities and local development finance authorities.

tax increment financing plan

An overall plan prepared and submitted by a tax increment financing authority to the governing body of a local governmental unit for approval. The overall plan includes a development plan, a detailed explanation of the procedures for implementing a tax increment financing plan, the maximum amount of bonded indebtedness to be incurred, and the duration of the overall plan. After a public hearing, the governing body either approves or rejects the overall plan.